

Gasoline Education

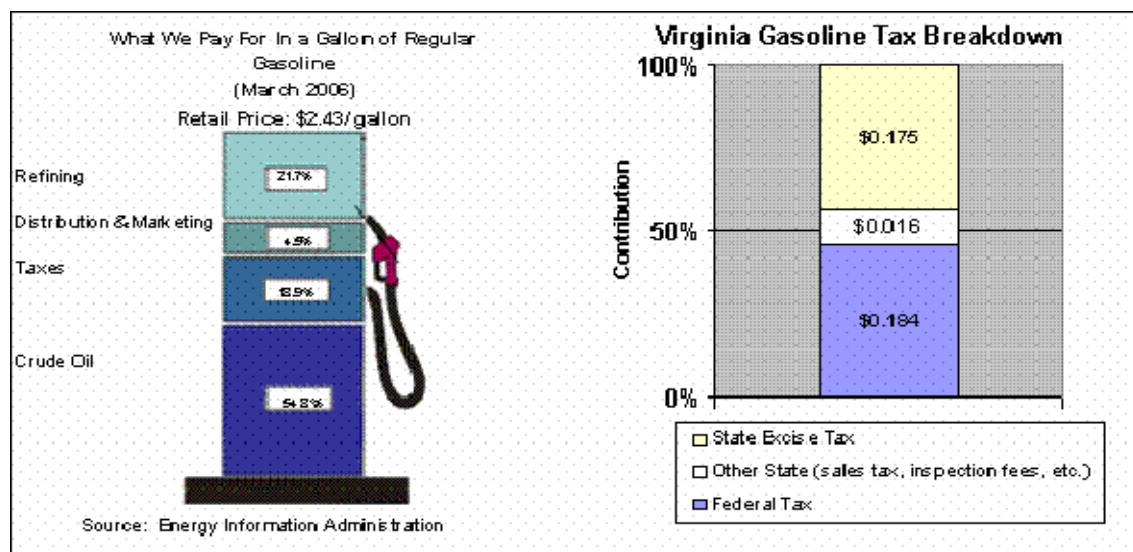
The Following Information Is Designed to Answer the Questions....

- What factors establish the retail price of gasoline?
- How much petroleum does the U.S. import?
- From where does the U.S. import petroleum?
- What affects the price of crude oil?
- Which nations comprise OPEC (the Organization of Petroleum Exporting Countries)?
- What are ways to drive more efficiently?
- What is the role of the Virginia Attorney General?

1) What Factors Establish The Retail Price of Gasoline?

Gasoline is refined from crude oil, which, in turn, is the principal cost component of a gallon of gasoline, as shown by the chart below. Other factors contributing to the price of a gallon of gasoline are refinery processing costs, distribution and marketing of the refined gasoline to retail stations across the country, taxes and retail stations' costs. An additional factor affecting the price of gasoline is the Energy Policy Act of 2005 which mandated increased use of ethanol in gasoline. The properties of ethanol require petroleum terminals in Virginia to build and use new storage and handling facilities while retail locations must take additional steps to assure minimal water content in their tanks.

An additional 2% sales tax on motor fuels is added in localities that are part of the Northern Virginia Transportation District.



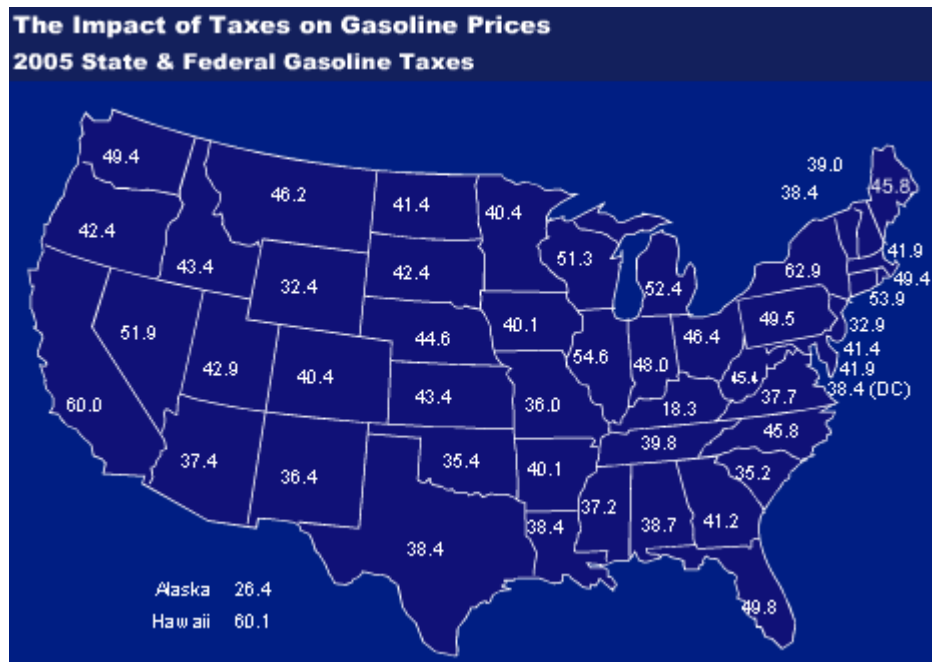
The cost of gasoline has gone up primarily because refiners are paying considerably more for barrels of crude oil. As of May 2006, a barrel of crude oil sells for more than \$74.00. This compares to the prices almost three years ago, in July 2003, when the average price for a barrel of crude oil was under \$30.00 and the average national price of a gallon of gas was less than \$1.50. (Source: EIA).

A report the Federal Trade Commission (FTC) issued in July 2005 stated that 85% of changes in the retail price of gasoline in the United States (U.S.) are caused by changes in the price of crude oil. Other important factors affecting the price of gasoline include increasing worldwide demand that decreases the amount of gasoline available to the U.S., supply restrictions, government regulations such as "clean fuel" requirements, and taxes.

See the full FTC Report at www.ftc.gov/opa/2005/07/gaspricefactor.htm.

On May 22, 2006, the FTC released a separate report on its investigation of possible gasoline price manipulation and post-Katrina gasoline price increases. A link to the FTC's press release can be found at <http://www.ftc.gov/opa/2006/05/katrinagasprices.htm>. A link to the full 222 page report can be accessed from the press release page.

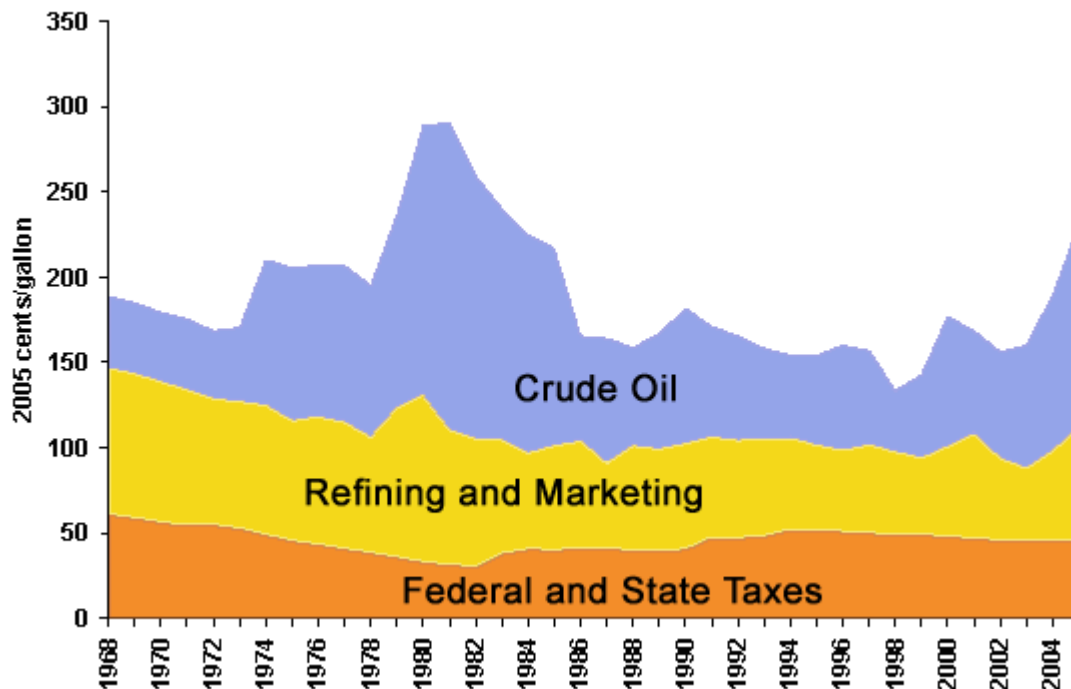
Gasoline Taxes By State



Source: Energy Information Administration
American Petroleum Institute

Virginia has one of the lowest state taxes on gasoline in the nation, and, as of January 2006, is the 11th lowest taxed state for gasoline. The figure in the graph above includes the 2% sales tax added for localities within the Northern Virginia Transportation District.

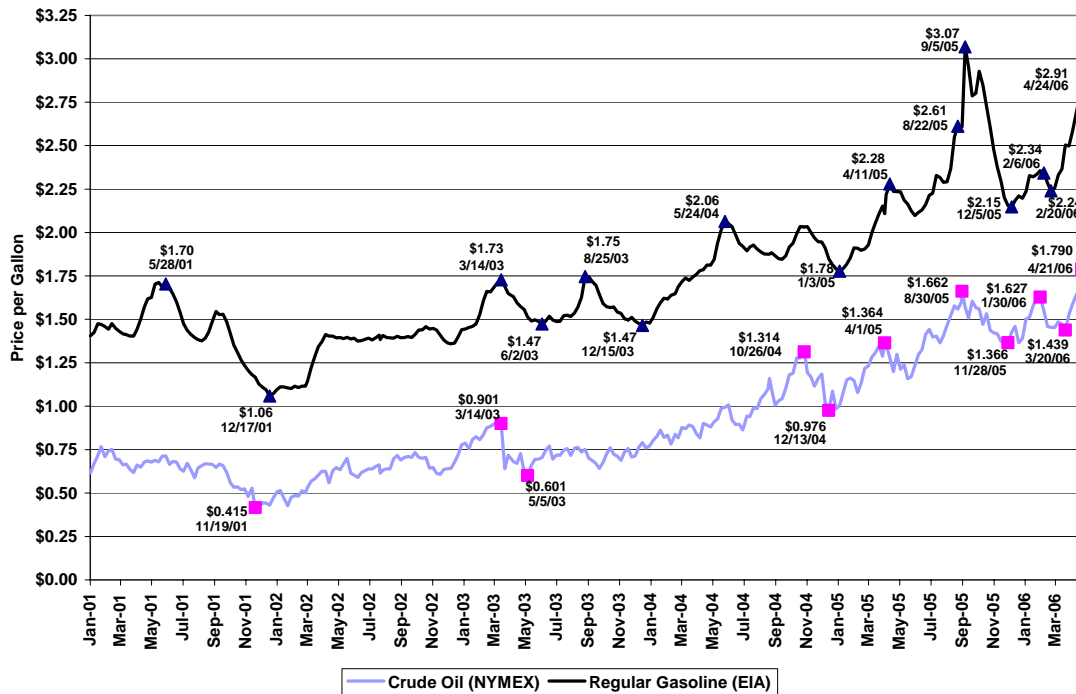
Components of Retail Gasoline Prices, 1968-2005



Source: Energy Information Administration
American Petroleum Institute

The cost of manufacturing, distribution and marketing, which is primarily borne by domestic refineries, has remained fairly consistent, and has even declined slightly, over the last 35 years. As the chart shows, the price of crude oil has risen sharply and fluctuated significantly over the same period of time, causing the total price of gas to increase.

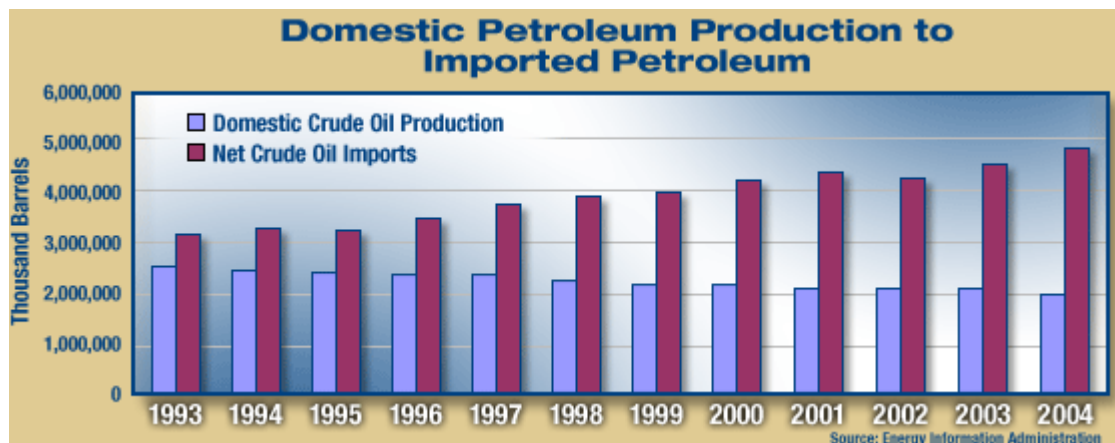
Motor Gasoline and Crude Prices: 2001 to April 2006



Source: Energy Information Administration
American Petroleum Institute

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2) How much Petroleum does the U.S. Import?

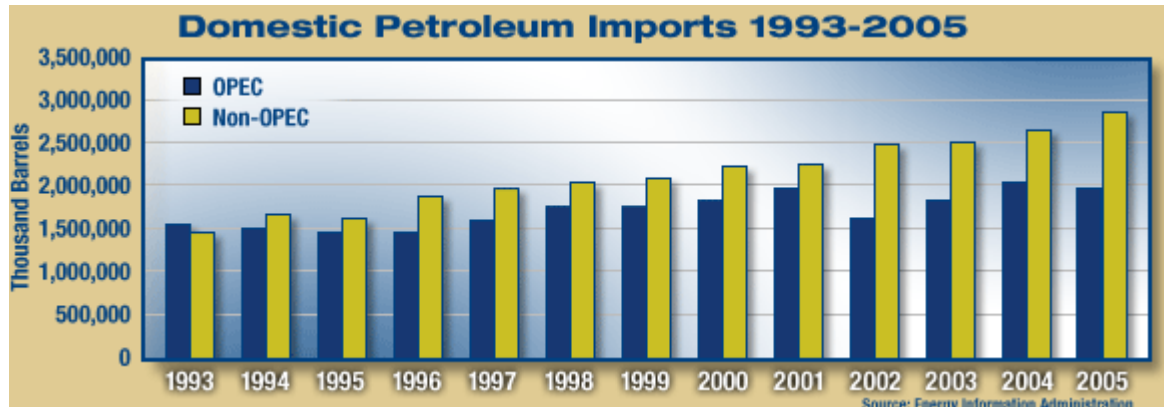


Source: Energy Information Administration

Since 1996, the United States has imported more petroleum each year than it produced domestically.

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3) From Where Does the U.S. Import Petroleum?



Source: Energy Information Administration

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4) What Affects the Price of Crude Oil?

Crude Oil, the major component and the leading variable cost in the price of gasoline, is a commodity. Crude Oil differs from most other commodities because it is subject to the restrictions of a cartel called OPEC (the Organization of Petroleum Exporting Countries). OPEC operates as a quantity-controlling mechanism for crude oil exports. Other global factors contributing to high gasoline prices include instability in some key oil producing regions, seasonal weather conditions and continued high worldwide demand. Reduced supply and increased demand for a product generally result in higher prices for that product, especially if it is a commodity.

Source: www.opec.org (opens in new window)

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5) Who is OPEC?

The eleven nations that comprise OPEC are:

Algeria	Indonesia	Iran	Iraq
Kuwait	Libya	Nigeria	Qatar
Saudi Arabia	United Arab Emirates	Venezuela	

Source: www.opec.org (opens in new window)

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6) Driving More Efficiently



Drive Sensibly

Aggressive driving (speeding, rapid acceleration and braking) wastes gasoline. It can lower your gasoline mileage by 33 percent at highway speeds and by 5 percent around town. Sensible driving is also safer for you and others, so you may save more than gasoline money.

Fuel Economy Benefit: 5-33%

Equivalent Gasoline Savings: \$0.07-\$0.49/gallon

Observe the Speed Limit

Gasoline mileage decreases rapidly at speeds above 60 mph. Each 5 mph you drive over 60 mph is like paying an additional \$0.10 per gallon for gasoline. Observing the speed limit is also safer.

Fuel Economy Benefit: 7-23%

Equivalent Gasoline Savings: \$0.10-\$0.34/gallon



Avoid Excessive Idling

Idling gets 0 miles per gallon. Cars with larger engines typically waste more gasoline at idle than do cars with smaller engines.

Use Cruise Control

Using cruise control on the highway helps you maintain a constant speed and, in most cases, will save gasoline.

Source: www.fueleconomy.gov (opens in new window)

One-Stop Shopping

Consolidate trips and errands to cut down on driving time and keep needless miles off the odometer. "Comparison shop" by telephone, online, or through newspaper advertisements.

Routinely Maintain Your Vehicle

Keeping tires inflated, moving components properly lubricated, and ignition and emission systems operating properly will help your vehicle achieve maximum fuel economy and extend its useful life.

Lighten the Load

Don't haul extra weight in the passenger compartment, trunk, or cargo area of your vehicle. A heavier vehicle uses more gasoline.

Compare Gasoline Prices

Shop for low gasoline prices locally, but don't waste gas or time driving to a distant filling station just to save a few cents a gallon.

Source: www.aaamidatlantic.com/about/public_affairs

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7) Role of the Virginia Attorney General

The Attorney General's Office and federal agencies such as the Federal Trade Commission and the U.S. Department of Energy continue to monitor gasoline prices in an effort to determine whether changes in prices are caused by normal market forces or by other factors that may violate state and federal competition laws. In addition, the Virginia legislature passed a price gouging statute at the 2004 session of the General Assembly. This statute is triggered when either the Governor or the President declares a state of emergency covering parts of Virginia. The price gouging statute requires the Virginia Attorney General, and other enforcement agencies, to consider whether post-disaster prices of a supplier grossly exceed the prices the supplier charged for the same goods or services during the ten (10) days immediately prior to the disaster. The statute also requires consideration of whether the increased costs are attributable solely to the increased costs of the supplier. The Attorney General is prepared to act if an emergency is declared or if a determination is made that our competition laws are being violated

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Click Below for Information About Price Gouging Enforcement Action Filed By the Virginia Attorney General

- **[McLean Sunoco - June 2, 2006](#)**
- **[Centreville Shell - March 2, 2006](#)**